

TOP SECRET

4 February 1958

Copy No. 1

CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 29
NO CHANGE IN CLASS. ☒
DECLASSIFIED
CLASS. CHANGED TO: TS, S, C, D
NEXT REVIEW DATE: 2010
AUTH: HR 70-3
DATE: 1-4-80 REVIEWER:

State Dept. review completed

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003500030001-9

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LATE ITEM

OR
*Indonesian Dissidents Present Ultimatum to President Sukarno in Tokyo

Indonesian dissidents presented an ultimatum to President Sukarno in Tokyo on 4 February demanding that he eliminate pro-Communist elements from the Djakarta government or be overthrown. The ultimatum warned that a rival Indonesian government had been formed in Central Sumatra which presumably will be placed in operation if Sukarno fails to comply.

The ultimatum was delivered by Colonel Warouw, Indonesian military attaché in Peiping who has been in the confidence of the dissidents for some months and who is a former commander in East Indonesia. Warouw was accompanied by a "high staff officer" who recently arrived in Tokyo from Sumatra.

The Indonesian dissidents have been planning action against the central government along these lines for nearly a month. Their ultimatum probably includes a demand that a new anti-Communist cabinet be formed in Djakarta by former vice president Hatta and the Sultan of Jogjakarta.

Both President Sukarno and the Djakarta government are likely to reject the ultimatum, although they may attempt to engage the dissidents in negotiations with a view to stalling the formation of a rival regime. The Indonesian Communist party can be expected to brand the dissident move as traitorous and as part of an imperialist plot to break up the Indonesian nation and to maintain Dutch influence. It will also press the Djuanda government to resist and, if necessary, forcibly to suppress the dissidents.

A late press report quotes a leader of the anti-Communist Masjumi party in Djakarta to the effect that his wing of the party would mediate between the dissidents and the Djakarta government; other Masjumi leaders, including the party's chairman are in Sumatra working with the dissidents.



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25X1 USSR "interested" in pact with Norway: [redacted]

no
[redacted] the USSR "is interested" in a bilateral non-aggression pact with Norway as well as a collective non-aggression treaty between NATO and Warsaw states. In view of Premier Gerhardsen's criticism of NATO's pre-occupation with military strength, the USSR probably hopes for a favorable Norwegian reaction. Norway would almost certainly reject such a proposal at this time. [redacted]

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II. ASIA-AFRICA

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☐ Egyptian-Syrian union--impact in Syria: Syrian economic interests are apprehensive over the effects of Egyptian-Syrian union, and a run on foreign exchange is reported to have occurred in commercial centers in northern Syria. Businessmen will not express opposition openly, however, and are inclined to console themselves with the hope that the union will block Communist influence. There are reports of violence in major Syrian cities between Communists and ASRP adherents over the union issue. [redacted]

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☐ Indian financial problems: The Indian Government is worried over the sharp rise in foreign debt servicing that it will face beginning in 1960, and has apparently decided not

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to permit any additional debt to be incurred requiring repayment before 1964, except for projects which earn foreign exchange quickly. With such a policy, Indian concerns would find it very difficult, if not impossible, to find foreign private credits. [REDACTED]
(Page 3).

JK
Naha, Okinawa, election: City assembly elections on 2 February resulted in a setback for local anti-Communist elements. The leftists won seven seats, and independents of uncertain views won four. Pro-Western candidates won only four seats. If the newly elected independents vote with the leftists, they will control a majority in the city council. [REDACTED]

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III. THE WEST

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Summit talks--French, German views: The French and the West German Foreign Ministries are taking a more pessimistic view toward fruitful summit talks, as a result of delayed reactions to Khrushchev's 22 January speech at

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OK Minsk. French Foreign Minister Pineau may formally protest Khrushchev's slurs on Western leaders and their intentions. West German government circles, who feel a summit conference is inevitable, believe Bonn will be placed in a precarious position if the talks are focused on disarmament to the exclusion of German reunification.

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Syrian Business Interests Fear Impact of Union
With Egypt

The Syrian business community is apprehensive over the effect of Egyptian-Syrian union. The ministers of economy and public works have issued statements that Egyptian financial regulation will not be imposed on Syria immediately and that the Syrian currency will remain strong.

Despite these reassurances, commerce in some areas is reported in the doldrums, a heavy demand for foreign exchange has developed in northern Syria, and the Central Bank is attempting to maintain confidence in the Syrian pound. Businessmen are endeavoring to negotiate a five-year moratorium with Nasir relative to protective tariffs, Syrian industry, currency unification, and proposed mass Egyptian emigration to Syria. Syrian labor circles are decidedly unenthusiastic over the prospect of an invasion by new "refugees," which will depress Syrian wage levels and aggravate unemployment. Plans to utilize Egyptian peasants in agricultural work in the Syrian Jazira are somewhat visionary, since large-scale mechanized operations requiring a small labor force are practiced there.

Businessmen, most of whom are moderates in their political inclinations, hesitate to express their opposition to union with Egypt openly and are inclined to console themselves with the hope that union will block the rapidly growing Communist influence.

Internal dissension over union has resulted in fights in several towns between pro-union Baathists and anti-union Communists.

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India Concerned About Short-term Debt Obligations

The Indian Government expects its debt servicing costs to rise so sharply after 1959 that it has decided to prohibit the contraction of any additional debts requiring payments before 1964. The government has confidentially informed the US Embassy that India's projected debt repayment schedule--both principal and interest--will rise from \$73,000,000 in the fiscal year beginning April 1959 to \$193,000,000, \$259,000,000, and \$233,000,000 respectively in the following three years.

Additional borrowing will be permitted only for projects that will earn or save enough foreign exchange to cover the obligations by 1964. Under this policy most private lenders will refuse additional credits to Indian concerns, and more long-term loans will have to be obtained by the Indian Government.

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Summit Talks--French, West German Views

The French and West German Foreign Ministries, on the basis of the speech Khrushchev made at Minsk on 22 January, are taking an increasingly pessimistic view on the prospects for a worthwhile outcome from summit talks.

French Foreign Minister Pineau may formally protest Khrushchev's slurs on Western leaders and their intentions. A Foreign Ministry spokesman characterized the speech as "one of the most aggressive, insulting and intransigent" he had ever read, and compared its tone to Hitler's. He believes Khrushchev's remarks on the Soviet position on Germany and Eastern Europe express "toughness and overweening confidence."

Chancellor Adenauer cited Khrushchev's speech as evidence of Soviet unwillingness to pursue "constructive negotiations," but he also reaffirmed his support for efforts to make progress on international problems. Bonn will publicly support disarmament negotiations, but it can be expected to raise strong objections to the exclusion of German unification from summit discussions.

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Egyptian-Syrian union--impact in Syria: Syrian economic interests are apprehensive over the effects of Egyptian-Syrian union, and a run on foreign exchange is reported to have occurred in commercial centers in northern Syria. Businessmen will not express opposition openly, however, and are inclined to console themselves with the hope that the union will block Communist influence. There are reports of violence in major Syrian cities between Communists and ASRP adherents over the union issue. [REDACTED] 25X1

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